

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

TESTIMONY OF DAVID K. FOOTE

D.T.E. 03-9

**SUBMITTED ON BEHALF OF
FITCHBURG GAS AND ELECTRIC LIGHT COMPANY**

May 9, 2003

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is David K. Foote. My business address is 6 Liberty Lane West,
4 Hampton, New Hampshire 03842.

5

6 Q. For whom do you work and in what capacity?

7 A. I am Vice President, Energy Contracts, with Unitil Service Corp. ("USC"), which
8 provides services to all of the Unitil companies. I am also Senior Vice President
9 of Fitchburg Gas and Electric Light Company ("FG&E") and President of Unitil
10 Power Corp. ("UPC").

11

12 Q. Please summarize your professional qualifications.

13 A. I joined FG&E full-time in 1970 and held a number of positions related to the
14 management of FG&E's gas and electric energy needs. I became a Vice President
15 of FG&E in 1980. I joined USC in November 1984 as Vice President and was
16 responsible for the establishment of the power supply that UPC acquired to serve
17 the needs of the CEC and E&H beginning October 1, 1986. I continued to have
18 responsibility for FG&E's power supply acquisition from 1984 to the present.
19 FG&E merged with Unitil in 1992 at which time I was elected Senior Vice
20 President of FG&E. I have served on many NEPOOL committees during the past
21 27 years and am currently Unitil's representative on the NEPOOL Participants
22 Committee.

1

2 Q. Please summarize your educational background.

3 A. I received my Bachelor of Science Degree in Mechanical Engineering from
4 Northeastern University in 1970 and my Masters in Business Administration from
5 Northeastern University in 1980.

6

7 Q. Have you testified in regulatory proceedings previously?

8 A. Yes, I have testified before the Department on many occasions. I have also
9 testified before the New Hampshire Public Utilities Commission and I have
10 submitted written testimony to the Federal Energy Regulatory Commission.

11

12 Q. Please describe any specific experience you have with the acquisition of energy
13 supplies.

14 A. I have been responsible for negotiating power contracts for FG&E since 1977 and
15 for the Unitil companies since November 1984. During that time I have had
16 responsibility for managing jointly owned-power plant contracts and their sale or
17 divestiture. I have been directly involved with the solicitation and acquisition of
18 all of FG&E's long-term power contracts for more than 20 years and for all Unitil
19 power contracts for 18 years. The contracts have included percent of unit
20 contracts, system contracts, block-power contracts and load following contracts
21 including FG&E's Standard Offer and Default Service contracts and in the

1 divestiture of power plants and power contracts associated with restructuring that
2 enabled implementation of retail choice.

3

4 Q. What is the purpose of your testimony in this proceeding?

5 A. The purpose of my testimony is to describe FG&E's use of Enermetrix to broker
6 the acquisition of its default service supplies in the fall of 2001 and the spring of
7 2002. I will also discuss the results of those acquisitions and why I believe the
8 use of Enermetrix benefited FG&E's customers.

9

10 II. FG&E DEFAULT SERVICE SOLICITATIONS

11 Q. Did FG&E conduct any default service solicitations prior to the use of Enermetrix
12 in 2001?

13 A. Yes. FG&E conducted solicitations for six-month default service supplies in the
14 fall of 2000 and the spring of 2001.

15

16 Q. Please describe the solicitation process used by FG&E in the fall of 2000 and the
17 spring of 2001.

18 A. USC, the service company affiliate which provides management and
19 administrative services to FG&E and other Unitil Companies, developed an RFP
20 for FG&E's default service supplies in the summer of 2000. The RFP was
21 distributed to all companies on the NEPOOL Markets Committee distribution list

1 and to companies on a FG&E distribution list. USC had previously conducted
2 RFPs for FG&E and UPC since the mid-1980's.

3
4 Q. What were the results of FG&E's prior two default service solicitations?

5 A. We received a modest market response from a small number of bidders (three
6 bids or less). No bidders offered class differentiated pricing although the RFPs
7 had identified and provided for two customer groups.

8
9 Q. Why did USC and FG&E decide to use Enermetrix to conduct the default service
10 solicitation in the fall of 2001?

11 A. We were aware that Enermetrix provided a vehicle to access a broad universe of
12 suppliers who were participating in both the wholesale and retail electric supply
13 markets and that had experience with load following customers of similar or even
14 larger size than FG&E's Default Service load. Because of the small size of the
15 FG&E's default load, a major challenge for FG&E was to attract the market's
16 attention to ensure an efficient and competitive solicitation process. Enermetrix
17 had extensive contacts with wholesale and retail suppliers which we believed
18 would assist FG&E in publicizing its solicitation and attracting a robust market
19 response.

20
21 Q. What was USC or FG&E's arrangement with Enermetrix?

1 A. FG&E contacted Enermetrix during the summer of 2001 and expressed an interest
2 in using Enermetrix for the Fall 2001 Default Service solicitation for FG&E.
3 Enermetrix indicated they could help us as they had supplier contacts that they
4 used for retail customers that were comparable and larger than the Default Service
5 load for which FG&E would be seeking service. FG&E and Enermetrix worked
6 out a process whereby Enermetrix would be the primary contact for prospective
7 bidders and FG&E would provide support for detailed questions from prospective
8 bidders. Enermetrix was active in publicizing the Default Service RFP and in
9 working their contacts to encourage a robust response. Ultimately, suppliers were
10 responsible for paying the Enermetrix fee for providing the service. FG&E was
11 not involved in the contracting process, and had no payment responsibilities,
12 although we expected that suppliers would include their estimated cost in the bid
13 responses.

14
15 Q. Did FG&E pay Enermetrix for its brokering services?

16 A. No. Enermetrix charges successful supplier(s) participating in the exchange a
17 volumetric charge.

18
19 Q. Do you know what Enermetrix charged the successful suppliers in the two FG&E
20 default supply solicitations?

1 A. It is my understanding that Enermetrix charged default service suppliers for the
2 September 2001 RFP 0.0200 cents per kWh for all customers, or approximately
3 \$7,495. For the March 2002 RFP, Enermetrix charged default suppliers 0.0275
4 cents per kWh for residential and small commercial customers and 0.0300 cents
5 per kWh for medium and large commercial customers, or approximately \$11,631
6 in total for the March 2002 RFP.

7
8 Q. Did USC or FG&E negotiate this rate with Enermetrix?

9 A. No. It was our understanding that Enermetrix applied its usual rate for
10 transactions of this type.

11
12 Q. What was the response to the September 2001 and March 2002 solicitations in
13 which Enermetrix was the broker?

14 A. We received a more robust response in September, 2001, with five bidders as
15 compared to a maximum of three in the prior solicitations. Two of the bidders
16 were new bidders for FG&E's Default Service. Also, for the first time, we
17 received class differentiated bids (residential and small C&I in one group, and
18 large C&I in another group). We expected lower prices for this solicitation due to
19 wholesale market price movements, but the final results were at the low end of
20 our expected range. In general, I believed that the results indicated that the market
21 was paying more attention to the FG&E default service load than in the past.

1 In the spring of 2002, the same process was used as for the fall 2001
2 solicitation, and we received seven responses to our RFP, including one additional
3 new bidder.

4
5 Q. Why did FG&E not use Enermetrix after the spring of 2002?

6 A. Enermetrix was no longer active in the New England market due to a
7 restructuring of the company and moving its offices from Massachusetts to
8 Georgia.

9
10 Q. Did USC or FG&E use Enermetrix in order to bolster the profits of a company in
11 which Unitil had an equity investment?

12 A. No. We used Enermetrix because we believed they would add value to the
13 default supply solicitation process and hopefully provide benefits to FG&E's
14 customers.

15
16 III. FG&E'S RETAIL DEFAULT SERVICE RATES

17
18 Q. What were the resulting retail Default Service rates for the twelve months that
19 FG&E used Enermetrix to secure Default Service?

20
21 A. The resulting retail Default Service rates are shown on Schedule DKF-1.
22 Schedule DKF-1, Page 1 of 3, provides the default service rates for each
23 Massachusetts utility for December 2001 through November 2002 by class.

1

2 Q. How do FG&E's rates compare to other Massachusetts utilities Default Service
3 rates for the same time period?

4 A. As shown on Schedule DKF-1, Page 1 of 3, FG&E had the lowest average
5 Default Service rates in every class for this twelve month period. As shown on
6 Schedule DKF-1, Page 2 of 3, the projected savings to FG&E's Default Service
7 customers for the twelve month period is estimated to be \$900, 226 over the
8 average cost for Default Service from all other Massachusetts utilities.

9

10 Q. Please discuss the savings achieved for a residential customer using 500 kWh.

11 A. As shown on Schedule DKF-1, Page 3 of 3, the average Massachusetts residential
12 500 kWh bill for the Default Service component during the twelve month period
13 was \$31.33. FG&E's average residential 500 kWh bill was \$25.84 for the
14 Default Service component, a savings of \$65.85 for the twelve month period, or
15 18%.

16

17

18 Q. Are there any timing differences between FG&E and other Massachusetts utilities
19 in the RFP's for Default Service?

20 A. Yes, FG&E sets its Default Service rates effective December 1 through May 31
21 and June 1 through November 30 each year. Boston Edison Company,

1 Cambridge Electric Light Company, Commonwealth Electric Company and
2 Western Massachusetts Electric Company set their Default Service rates effective
3 from January 1 through June 30 and July 1 through October 31. Massachusetts
4 Electric Company sets its Default Service rates effective from May 1 through
5 October 31 and November 1 through April 30. Given the difference in the
6 effective dates, the RFP's are performed on a different schedule as well.

7 Q. Would you summarize your testimony?

8 A. FG&E utilized the services of Enermetrix during the Fall 2001 and Spring 2002
9 Default Service solicitations with the expectation that we would receive a stronger
10 response to our RFPs. That expectation was met as we received a very robust
11 response. We received more bids, new bidders participated in the RFPs, we
12 received class-differentiated bids for the first time and the resulting retail prices
13 were the lowest or among the lowest of all Massachusetts electric utilities. As
14 such, customers received very substantial benefits from FG&E's use of
15 Enermetrix for those two RFPs.

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